

**Draft Meeting Minutes**  
**Wednesday, February 9, 2005**  
**Virginia Information Technologies Agency Auditorium**  
**110 S. 7<sup>th</sup> Street**  
**Richmond, Virginia**

**Members Present:**

The Honorable Eugene J. Huang, Chairman  
Jimmy Hazel  
Hiram Johnson  
Walter Kucharski  
John C. Lee, IV

James F. McGuirk, II  
Scott Pattison  
Len Pomata

**Members Absent:**

Chris Caine  
Dr. Mary Guy Miller

**Others Present:**

Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth  
John Westrick, Office of the Attorney General

**Call to Order**

The Chair called the meeting of the Information Technology Investment Board (ITIB) to order at 1:05 p.m. The roll was called and two of the ten members were recorded as absent.

Chairman Huang informed the Board that Virginia was commended as being the best managed state in the nation by the Government Performance Project (GPP) "Grading the States 2005" Report, the nation's only comprehensive, independent analysis of how well each state is managed. GPP is a non-partisan, independent program of research focused on state governments and the public's interest in improving their management capacity and performance. The Government Performance Project gives state governments information and data they can use to improve management and achieve goals. GPP is sponsored by The Pew Charitable Trusts and Governing Magazine.

In the areas of information technology and e-Government, Virginia received a grade of "A-", however Virginia is the only state with straight A's across the board in four categories: money, people, infrastructure and information. Utah is the only other state with an overall score of A-. Chairman Huang commended the Board, the CIO, and VITA staff for all the work done in achieving this recognition.

**Approval of Minutes**

Hiram Johnson made a motion that the minutes of the December 8, 2004 meeting be approved. Len Pomata seconded the motion. There being no discussion, the minutes were approved as written.

## **CIO Status Report**

CIO of the Commonwealth Lemuel C. Stewart provided a status report on agency operations and issues to the Board.

### **Internal Audit Director**

Peggy Ward was introduced and welcomed as the new Internal Audit Director. Ms. Ward brings 22 years of auditing experience, including 21 years at the Department of General Services, Virginia Department of Transportation, and the Office of the State Internal Auditor, as well as one year at Southern Bank and Trust Company. Ms. Ward will directly report to the ITIB Finance and Audit Committee.

### **Integration Activity**

Mr. Stewart stated that in the December CIO Report, he reported that the integration effort had been successfully completed. He clarified that this means that all agreements had been signed with the agencies; however, VITA remains in the integration process and continues to work on such things as tagging assets and doing physical transfers. With this clarification, he stated that the entire integration process is a time-consuming process, and is well underway.

### **PPEA Review**

VITA entered the Public-Private Educational Facilities and Infrastructure Act (PPEA) Detailed Review stage on January 10, 2005. The Detailed Review Stage has been divided into two tracks, enterprise applications and infrastructure. The Infrastructure PPEA Review Team is working on completing the due diligence process, the first step of the Detailed Review stage, by the end of March. IBM and Northrop Grumman were selected to move into Detailed Review for IT infrastructure. The selected vendors will submit detailed proposals within 60-90 days of completion of the due diligence process. Infrastructure PPEA information and detailed schedules are available at <http://www.vita.virginia.gov/ppea/ppea.cfm>. It is anticipated that the comprehensive agreement stage will be reached sometime in the fall of 2005.

A Project Manager for the Enterprise Applications Detailed Review track will be selected by the Secretaries of Administration and Finance. The process of appointing a Project Manager is underway, and it is hopeful that the enterprise applications of the Detailed Review stage will be underway in the near future. A budget amendment to offset costs associated with evaluation of the Enterprise Applications PPEA is under consideration by the General Assembly.

## **The Value of VITA Brief**

"The Value of VITA," an educational communications tool summarizing what has taken place with VITA over the past 18 months during the integration, was included in the agenda packets. The paper focused on accomplishments of VITA and the priorities of the coming fiscal year. It also addressed the Board's priorities for Transformation.

VITA is reaching out to local governments, libraries, and K-12 schools. VITA provided \$7.7 million in cost savings in FY04 to localities and public schools by leveraging statewide services and contracts. It is projected that in FY 05, local government will benefit from an additional \$8 million in cost savings.

## **December 15, 2004 Auditor of Public Accounts (APA) Report**

The Auditor of Public Accounts (APA) issued a report on the Virginia Information Technologies Agency (VITA) on December 15, 2004. The Report acknowledged improvements that had been made to date, and was complimentary of VITA's efforts and achievements in addressing the items listed in the Virginia Information Technologies Agency January 2004 Special Report issued by the Auditor of Public Accounts. The January 2004 APA Report focused primarily on the financial components of VITA and its operations.

The primary focus of the December 2004 APA Report was on security and project management issues. The APA audit summary indicated VITA does not have adequate resources to meet statutory obligations, as follows:

- The Project Management Division is fulfilling their statutory responsibilities, except in the areas of oversight and monitoring of project development;
- The Direct Bill system has adequate internal controls and provides reliable information. The Physical IT Asset system does not contain all VITA-owned assets due to system upload problems and because VITA has not issued detailed policies and procedures;
- Security Services has not established an understanding with transitioned agencies regarding their roles and responsibilities related to security and compliance with VITA standards. Recently Security Services began meeting with agency information security officers to clarify roles and also began revising outdated security policies and procedures;
- Security Services complies with their statutory responsibility to perform database security audits, but relies on the work of others. They have not established a process to identify databases that are at greatest risk and have not developed an audit schedule based on their knowledge of those risks; and
- Management has started developing a methodology for identifying, calculating, and reporting savings; however, the current reporting mechanism includes savings amounts that will never transfer to the Technology Infrastructure Fund.
- VITA has taken adequate corrective action with respect to the prior year audit findings.

The Report consisted of 15 recommendations. VITA is in full agreement with the recommendations and the guidance and has developed and presented an APA Summary Action Plan to the ITIB Finance and Audit Committee for approval. VITA is taking a number of actions to improve security and has requested additional resources through budget amendments to meet the statutory requirements. The detailed December 2004 APA Report is available at [www.vita.virginia.gov/ITIB/docs.cfm](http://www.vita.virginia.gov/ITIB/docs.cfm).

## Council on Technology Services (COTS)

The Council on Technology Services (COTS) was reconstituted per the *Code*, and held its first meeting on December 16. The Council, comprised of 16 members appointed by the CIO and 3 ex officio members, is an advisory group to the CIO on technology matters and key initiatives. The members include representation from each secretariat, independent agencies, legislative and judicial branches of government, local government and higher education.

Three initial workgroups were established at the first meeting of COTS:

- E-Government Workgroup - an advisory workgroup to provide guidance and direction to the Commonwealth, VITA and the Virginia Information Providers Network (VIPNet) in prioritization of E-Government initiatives and implementation of the E-Government Strategy. This workgroup will assist in accomplishing the Council on Virginia's Future goal to make 90% of eligible state agency services available electronically by 2008. The Workgroup will help identify those services that would provide the most benefit and make recommendations for the most cost-effective means of doing so.
- Business Process Reengineering Workgroup – an advisory workgroup to provide guidance and direction to the Commonwealth and VITA on opportunities for business process reengineering and collaborative solutions and systems. This workgroup will focus on identifying collaborative opportunities that have the broadest impact across agencies, institutions, and local government for enhanced delivery of citizen services.
- COVITS Workgroup – an advisory workgroup to assist the Office of the Secretary of Technology and the Commonwealth of Virginia Information Technology Symposium (COVITS) planning staff in planning, hosting, and executing COVITS, an annual conference hosted by the Commonwealth in partnership with an institution (or consortium) of higher education. This workgroup will provide input on topics, speakers, programming, and special events to encourage participation of state government, local government, higher education, K-12 education, and suppliers in the annual conference.

At the next meeting of COTS, two additional workgroups will be formed:

- Ad hoc Infrastructure PPEA Review Workgroup - This workgroup will provide a broad perspective on the PPEA proposals and provide input to the steering committee. Members will include representatives from agencies, higher education, and local government.
- Strategic Planning Workgroup - This workgroup will be focused on assisting and adding input to the process of updating the current Commonwealth of Virginia Strategic Plan for Technology 2002-2006, which must be updated annually as required by *Code*.

Mr. Stewart explained that the Commonwealth Technology Strategic Plan was written in 2002. The Plan is to be updated in April of each year, and is used by agencies in developing

their strategic plans due June 15<sup>th</sup> per the new Department of Planning and Budget guidelines on strategic plans. Agency plans provide input to the ITIB September Recommended Technology Investment Projects (RTIP) Report and provide the framework for the VITA Annual Operating Plan, which is due in July of each year.

Noting this requirement, Mr. Stewart recommended the ITIB establish a new ITIB Strategic Plan Committee to oversee the expedited "refresh" of the September 2002 Plan. A companion workgroup will be established within COTS to provide stakeholder input, per the Code. The refreshed plan will be provided to the ITIB for approval on April 13, 2005.

For 2006, Mr. Stewart recommended the development of a new four-year strategic plan with extensive involvement of stakeholders and in keeping with the recommendations of the Council on Virginia's Future.

## Financial Results

Mr. Stewart stated that Internal Service Funds are on target as anticipated, as well as retained earnings. There is continued concern regarding cash flow associated with the direct bill implementation, with almost \$14 million of the decrease in cash flow since July 1, 2004 attributable to new services.

Direct bill requires VITA to pay salaries and vendor invoices for transitioned agency IT goods and services, and then bill the costs in addition to the approved administrative fee back to the transitioned agencies. This results in a lag between payment for goods and services and receipt of customer revenues, causing a decrease in cash balances.

A six-month cash flow analysis will be completed. Once completed, if necessary, VITA will work with the Department of Accounts and the Department of Planning and Budget to request a cash infusion, if needed, before year-end.

## Savings Initiatives

VITA has implemented 20 cost savings initiatives to date, resulting in estimated savings and cost avoidances as follows:

FY 04 - \$16,733,000

FY 05 - \$27,882,000

FY 06 - \$28,732,000

At the end of December, VITA was \$10 million actually into the \$27.8 million savings initiatives. It is anticipated that the VITA will achieve the target number by the end of FY 05, in addition to identifying other initiatives that will further increase savings.

Mr. Stewart emphasized that there is misunderstanding regarding savings, and a great deal of time has been spent educating individuals and members of the General Assembly about savings – what they mean and where did they go. He stated that the general assumption is that all the monies reside in cash in executive branch agencies' budget, but it does not. Over the past 60 days, VITA staff has begun to produce, at the specific request of General Assembly members, a detailed agency-specific list that shows what the savings were, where all savings are going and how they got there across each agency in the Commonwealth, including local government and higher education. This includes tracking orders, orders of equipment, services against contracts based on what agencies were being charged versus what they are being charged now, telecommunications, etc.

Also included in the Agency Savings Report is the administrative fee that is charged to agencies per approval of the Joint Legislative Audit and Review Committee (JLARC) of 5.5%.

Over 50 percent of dollars saved are being realized by local governments and independent agencies. There is a percentage of the savings that are federal monies. Mr. Stewart emphasized that the message sent is that it takes monies to fund the entire transition process, and to educate individuals regarding savings initiatives.

## **VITA 2005 Session – Budget Language Requests, Recommendations & Additional Requirements**

VITA submitted to the Department of Planning and Budget (DPB) eleven amendments to the 2004-2006 Biennial Budget on October 13, 2004. Eight of the amendments requested additional funding; three requested revisions to language to the current Appropriation Act (Chapter 4). Also, during the legislative session, legislators submitted member amendments related to IT across different agencies.

A chart displaying the amendment description, VITA request, and the Governor's recommendations was discussed. Mr. Stewart stated there is a broad issue in the General Assembly concerning the overall policy question regarding what is appropriate for general funding verses internal service funding with VITA. This is a policy decision; however, if the policy decision is to move from general fund to internal service fund, it could have a significant major impact on individual agencies. VITA will be participating in the discussions of the implications of the potential change.

Jimmy Hazel expressed concerns that if the policy decision goes toward internal service funds, this will create a budget cut from agencies if they should have to pay VITA back for services. Mr. Stewart stated that small and medium agencies will be significantly impacted, as they do not have the budgets to cover these costs. The change in policy would have a negative impact and will cause VITA to have to raise rates for services.

## **CIO Major IT Project and Procurement Actions Since the Last ITIB Meeting**

Project Development Approval

- Department of Emergency Management: Virginia Emergency Operations Center

Contract Approval:

- State Board of Elections: Virginia Election and Registration System (VERIS)
- Department of Rehabilitative Services: Integrated Case Management (ICM)

Project Suspension or Resumption Approval:

- Suspension: Virginia State University: Reengineer Core Business Processes. Pending implementation of action items discussed in the IV&V review.

## **IT Project Management and Review**

The IT Investment Board and the CIO are responsible for the oversight of 33 major IT projects valued at \$770 million. Independent Verification & Validation (IV&V) reviews were conducted on 21 major IT projects in December and January. There were eight projects exempted by the CIO, and 4 submitted acceptable IV&V Reports submitted under agency management.

*At the conclusion of the CIO Report, Jimmy Hazel made a motion that the ITIB move forward on the recommendation to establish the ITIB Strategic Planning Committee. Scott Pattison seconded the motion. The Board carried the motion unanimously. Chairman Huang will work with the Board in appointing members to the committee.*

## **Center for Digital Government: The Digital State Survey and Best of the Web**

Chairman Huang gave introductory remarks on the Center for Digital Government. He stated that the Center is a non-partisan organization that looks at digital government initiatives across all states. The two most notable recognition activities sponsored annually are the Digital States Survey and Best of the Web competitions. At the request of Board members, Chairman Huang requested that a presentation be made to the Board discussing the Center's work and national perspectives. He introduced and welcomed Paul Taylor, Chief Strategy Officer for the Center for Digital Government.

Mr. Taylor gave a presentation entitled: Digital Government – Then, Now, Next. The presentation is available at [www.vita.virginia.gov/ITIB/docs.cfm](http://www.vita.virginia.gov/ITIB/docs.cfm).

## **Committee Reports**

Chairman Huang called for reports from the Legislative Review, IT Project Review, and Finance and Audit Committee chairmen.

### **Legislative Review Committee, Jimmy Hazel, Committee Chair**

Mr. Hazel stated that the Legislative Review Committee met on January 28, 2005. He focused attention to the "Lobbyist-in-a-Box" document prepared by VITA staff. The Lobbyist-in-a-Box document referred to substantive bills that impacted VITA, dealing with Virginia Information Providers Network (VIPNet), Wireless E-911, Geographic Information Systems (GIS), and Freedom of Information Act (FOIA). He indicated that VITA is doing well with the substantive legislation.

He noted two bills of interest:

- Charter University/procurement bills – pending.
- Senate Bill 1252 (Senator Jay O'Brien) creating a requirement for VITA to perform annual security audits at every agency and public institutions of higher education in the Commonwealth. VITA prepared comments related to this bill. The bill did not pass.

He indicated that the House and Senate Budget Bills were released on Sunday, February 6. He stated that VITA did not fare as well as hoped in the budget bill, as follows:

- Senate Finance Committee Report, - \$300,000 (GF) request for project management; \$1.1 million (GF) request for data center relocation not funded.
- House Appropriations Committee Report - \$6.1 million (GF) for start-up costs, shifting the \$6.1 million from central appropriations to a treasury loan.

Mr. Hazel expressed concern in that VITA is not where it needs to be in terms of dollars needed to achieve its mission. There are still several weeks left in the session. The Governor



will review the Budget and VITA staff will continue to stay engaged in the General Assembly and talk to money committee and staff committee members to try to attain a more positive outcome.

Walter Kucharski stated that there is a bill in Senate General Laws that requires state agencies to procure from private sources all items listed by the Competition Council that can be made available outside. This includes accounting services, auditing services, secretarial services, computer services, etc. Jimmy Hazel commented that staff will review this bill.

The Budget amendment language and numbers will be distributed to the Board members. Mr. Hazel asked Board members to communicate the importance of the amendments and their priorities with legislators.

Mr. Kucharski stated that the policy issue of general funds versus internal service funds should be addressed.

Hiram Johnson stated that there are competing budget requests that impact VITA. For example, there is an additional \$3.5 million budget request over and above the VITA budget request for audit security.

Mr. Hazel commended the Office of the Secretary of Technology, VITA staff and the CIO for the diligent work in attending legislative committee meetings, meeting with legislators and tracking legislation.

### **IT Project Review Committee - Jim McGuirk, Committee Chair**

Mr. McGuirk stated that the IT Project Review Committee had met at 9:30 a.m. The Committee's focus will have more of a strategic investment view rather than a tactical project management view of IT investments. As stated in the October meeting, the Strategic Management Services (SMS) Directorate had developed an enterprise business architecture and requested reviews with each Secretariat on their business functions and how technology can impact them.

To date, the Public Safety Secretariat has briefed the committee, and the Secretary of Transportation briefed the committee at the morning meeting. He stated that it was very informative to hear what the transportation functions were and how they view technology in achieving the mission of the Secretariat.

Mr. McGuirk informed the Board of the schedule for the remaining Secretariat briefings. The dates/time schedules are as follows:

March 16, 2005 – 10:00 a.m. – 2:00 p.m.

- 4 secretariats

April 12, 2005 – 1:00 p.m. – 5:00 p.m.

- 4 secretariats

All briefings will be held in Richmond. After the last briefing, the committee will have heard from all secretariats and the process will help prioritize information technology projects across the Commonwealth for the annual RTIP Report.



Mr. McGuirk requested Board approval of the Platform Architecture Policy, which had been provided to the Board for review. The Platform Architecture Policy is available at [www.vita.virginia.gov/ITIB/docs.cfm](http://www.vita.virginia.gov/ITIB/docs.cfm).

*Len Pomata made a motion that the Platform Architecture Policy be approved. Jimmy Hazel seconded the motion. The Board carried the motion unanimously.*

Mr. McGuirk focused the Board's attention to the handout on the Recommended Technology Investment Projects (RTIP) Report. He emphasized that at the January 19, 2005 IT Project Review Committee Workshop held in Herndon, Virginia, the committee reviewed the prioritization process that had an enterprise-wide view of projects across the Commonwealth.

The handout contained the following information:

- RTIP Schedule
- Recommended Technology Investment Projects (RTIP) 2005 Report Outline
- Recommended Technology Investment Projects (RTIP) 2005 Summary of Changes, Deletions, Additions
- Revised Desired Outcomes
- Proposed Plan of Action
- Committee Workshop Action Items

He referred to the Report schedule, giving project completion dates and target schedules. As indicated in the schedule, data for the Report will be collected by May 31, 2005. Data will be certified by June 15, 2005. This is the date that IT agency strategic plans are due to the Department of Planning and Budget. A draft of the RTIP report will be submitted to the full Board in July for review.

Mr. McGuirk summarized the remaining information in the handout. He asked the Board to review the Summary of Changes and e-mail any comments, suggestions, or concerns to him or to the Project Review Committee members so that issues can be addressed within the next week, and staff can begin the process of identifying the data collection process, talking to the secretariats, and proceeding in developing the draft Report. If there are concerns that cannot be resolved electronically, the concerns would be addressed at the March IT Project Review Committee meeting. The goal is to have a green light in proceeding with the development of the Report by February 17.

In April, the Committee will present all decisions that need to be made to prepare the draft Report. Also, at the April meeting, the Committee will request approval of the process for developing the RTIP Report in order to be able to produce a draft of the Report, distribute it to the Board by July, and modify it before the final submission.

Mr. McGuirk reemphasized that there are significant changes from what was done last year to this year in developing the RTIP Report.

On behalf of the Board, Chairman Huang thanked Mr. McGuirk and the Committee for the work that had been done and the changes that had been proposed to the RTIP Report.

Hiram Johnson expressed concern in the amount of time the Board is given to review implementation of projects and with the current procedure of ITIB contract procedures. He stated that the Board has an extensive review of the planning and development of projects, however, the turn-around time for review of implementation of projects is too short to make a firm decision in reviewing risks, deliverables or stakeholders.

Jim McGuirk stated that he has asked the PMD to develop a succinct, accurate summarization of highlights of projects so that the Board can review and make sound decisions regarding projects. Until the summary is received, he expressed hesitancy in changing the 5-day review period, as it may be perceived that the Board is a delaying factor rather than value-added.

## **Finance and Audit Committee, Scott Pattison, Committee Chair**

Mr. Pattison welcomed the new Internal Audit Director, Peggy Ward. He briefly explained that the hiring process was thorough and involved candidate interviews with senior VITA staff, the CIO Lem Stewart and with members of the Finance and Audit Committee.

He also stated that the committee reviewed the mid-year financials at its February 1 committee meeting and concurred with the information provided by the CIO in his report to the board. He agreed that one of the main issues involved cash flow -- which had been anticipated.

The APA Summary Action Plan was discussed in the Finance and Audit Committee meeting he also reported. He stated that a great deal of progress has been made, as reflected in the positive comments in the APA Report.

*Mr. Pattison made a motion that the APA Summary Action Plan in response to the December 2004 APA Report be approved. Hiram Johnson seconded the motion. The motion carried unanimously.*

## **Other Business**

Chairman Huang asked members for any other business that needed to come before the Board. No other business was introduced.

## **Public Comment**

Chairman Huang solicited public comment. There was no public comment.

## **Executive Session**

Jimmy Hazel made the following motion:

*Mr. Chairman:*

*I move that the ITIB convene a closed meeting pursuant to Va. Code §§2.2-3711(A)(3) and 2.2-3711(A)(6) for the purpose of discussing and considering the lease or other acquisition of real property to house VITA operations currently located in the Richmond Plaza Building, as discussion in an open meeting would adversely affect the bargaining power, negotiating strategy or financial interests of VITA and the ITIB; and*

*Pursuant to Va. Code §2.2-3711(A)(7) for the purpose of consulting with legal counsel regarding lease provisions and the legal ramifications of VITA's options for housing operations currently located in the Richmond Plaza Building; and*

*Pursuant to Va. Code §2.2-3711(A)(6) for the purpose of discussing PPEA proposals received by VITA, as discussion in open meeting would undermine VITA's bargaining*

*posture and therefore its financial interest. The CIO and certain staff whom he has selected for their familiarity with the above matters should attend the closed meeting, as their attendance will aid our discussion*

Hiram Johnson seconded the motion. The Board carried the motion unanimously.

The Board reconvened in open session at 3:52 p.m. Chairman Huang made the following motion:

*I move that the ITIB is now reconvened in open session, having completed a closed meeting to discuss PPEA proposals received by VITA, as discussion in open meeting would undermine VITA's bargaining posture and therefore its financial interest, and to discuss the lease or acquisition of real property to house VITA operations currently located in the Richmond Plaza Building. I will now conduct a roll call and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting.*

Jimmy Hazel seconded the motion. The roll was called and each of the eight members so certified.

## **Adjourn**

A motion was made by Jimmy Hazel to adjourn. Hiram Johnson seconded the motion. The next meeting of the ITIB will be Wednesday, April 13, 2005, at the VITA Operations Center, 110 South Seventh Street – 4<sup>th</sup> Floor Auditorium, Richmond, Virginia 23219. There being no further business, the meeting adjourned at 3:53 p.m.